

Fall, 1996

Forest Tax and Stewardship News



WHEN IS IT TIME TO HARVEST TIMBER?... THE ECONOMIC POINT OF VIEW

By Jeff Martin, UW-Madison

For many landowners, deciding "when to harvest timber" is difficult. Should you base the decision on biological, aesthetic, or economic factors, or should you use all of the above? In practice, most people combine these criteria to make the decision, and few will give the same weight to the different factors.

In this short article I want to focus on just the economic criteria, not because I think they are more important than other factors, but because economic guidelines are often misunderstood and often ignored. First though, let me say that I see nothing wrong with a decision that ignores economic criteria. There may be any number of sound reasons for focusing just on biological or aesthetic considerations. However, I do think a person should make decisions armed with as much information as they can obtain. In that way, all of the implications and ramifications are known beforehand and don't become surprises later on.

In forestry "circles" the recommendation to postpone a harvest is often made. "Let the trees grow longer...that way they will be larger and they will be worth more," is a commonly heard expression. In addition to volume growth, trees may gain in value if quality (log grade) improves over time or if future prices rise with increased product demand.

If your economic goal is to produce the greatest possible return from a given acre (or group of acres) then postponement usually makes sense. The optimum time to harvest your trees would be just as stand value peaks...and before decay or mortality reduces stand value.

However, if your economic goal is a sound investment, the decision is not as easily made. Although large trees (particularly hardwood species) may indeed be worth more than smaller trees, there is a cost incurred by postponing the harvest. If you harvest today and receive the money now, you could invest the dollars elsewhere. If you postpone the harvest you forego these other investment opportunities, and incur an opportunity cost. Therefore, what you need to know is: "will the increased size and value of the trees outweigh the cost of waiting several years for the growth to occur?" If an investment criterion is used, you cannot ignore this opportunity cost because it is what you are investing.

To guide your investment decision, you need to estimate the expected rate of return if

you were to let the trees grow and harvest them later. Then, compare this rate to the expected rate of return from an alternative investment; what you could earn if you harvest today and invest the income elsewhere (or back into your forestry operation). If the rate of return for growing your stand another 5, 10 or more years is greater than your alternative rate, postpone the harvest; if it is less, harvest now.

To estimate the rate of return from growing your trees another 5, 10 or more years, you will need several items of information including: present and future volume, present and future price, and length of the growth period. The values can be per acre or for the entire stand...but be consistent!

To see how this works, let's look at a very simple case: harvest now, or wait 10 years? To keep the example as simple as possible, assume that waiting entails no management activities other than the final harvest in 10 years. The following table shows present and future stand volumes and values:

Species	Volume Today*	Price**	Value today	Volume in 10 years	Price	Value in 10 years
red oak	3	\$275	\$825	6	\$275	\$1,650
white oak	1	\$150	\$150	2	\$150	\$300
maple	2	\$175	\$350	3	\$175	\$525
Total	6	-----	\$1,325	11	-----	\$2,475

*Volume in 1,000's of board feet. ** Price in \$ per 1,000 board feet.



To calculate the rate of return for this example, divide the future value, \$2,475 by the present value, \$1,325 to the compound interest factor of 1.8679. By consulting a compound interest table we find that the increase in stand value, from postponing the harvest for 10 years, is equivalent to a 6.4 % rate of return. If the owner of this sample woodlot has an

alternative rates less than 6.4% the harvest should be postponed; if greater, conduct the harvest today.

If you repeat these calculations for your own woodlot and plan to conduct some management practice during this forecast time period, the expected costs and returns for this operation must also be included in your financial analysis and cash flow calculations. The

calculations then become more complicated and are beyond the scope of this article. For more information, talk to your local forester or contact the Department of Forestry at UW-Madison (608) 262-0134.



1996 "EARN A BUCK" DEER SEASON FACT SHEET

By Kevin Wallenfang

What it Means to You:

Deer hunters will be required to kill one antlerless deer before shooting a buck during each of the 1996 archery and firearm hunting seasons in the following 16 "Zone T" deer management units: **51A, 51B, 54C, 63A, 66, 68A, 70A, 70E, 70G, 71, 73C, 75, 77B, 77C, 80A, and 80B, plus 3 State Parks within these units (70C, 70D, and 80C).** No Hunter's Choice permits will be issued for these units, but antlerless permits will be available. The Natural Resources Board adopted this emergency rule at its April meeting to reduce over-abundant deer populations in these units.

Why Select These Units?

The Natural Resources Board recognized that these units had an emergency deer management situation where existing deer seasons and permit systems would not control herd growth. The State Assembly Natural

Resources Committee also sent a strong message to the Department and Natural Resources Board urging that the deer herd be controlled in the farmland region. The 16 units were selected because 1) they have overwinter deer populations 50-90% or more over established goals, 2) the current seasons were not controlling herd growth, and 3) hunter demand for antlerless deer permits is too low to use the available permits for 1996. The Board also recognized the adverse impacts of high deer numbers on agriculture and vehicle accident rates as well as browsing damage to trees and native plants.

Why Such Dramatic Measures?

Current deer population estimates for these 16 units range from 24 to 55 deer per square mile with an average density of 43 deer. If at goal, these units would have an average density of 23 deer. This fall there will be almost twice as many deer following the birth of fawns from these productive southern herds. To

bring deer numbers in these 16 units down to goals, hunters will need to harvest 98,000 antlerless deer. To date, the maximum combined bow and firearm harvests for these units have been only 48,500 antlerless deer. As example, the Unit 70G population estimate is now 53 deer per square mile of deer range, and the September population will be over 90 deer per square mile of range. Hunters would need to harvest 40 deer per square mile of range just to maintain current Unit 70G population level plus 20 more deer per square mile to get the herd to the population goal.

What Alternatives Were Considered?

In May 1995, the Natural Resources Board directed an ad hoc Farmland Committee comprised of Conservation Congress delegates and wildlife Deer managers to review options to increase the antlerless deer harvest in problem units. The Committee met 9 times during the past fall and winter and reviewed many possible alternatives.



After thorough review, the Ad Hoc Committee recommended a 2-day antlerless only firearm season during the weekend prior to the regular firearm deer season; a 9-day either sex plus bonus antlerless permit firearm deer season; and a 7-day antlerless deer firearm season between Christmas and New Year's Day.

How Was Public Input Gathered?

The Farmland Deer Committee's recommended season framework was made public in early January. It was then approved by the Conservation Congress Executive Council. The determination of selected units was made in February with completion of 1996 population estimates. Public listening sessions were held in February at 20 meetings across the state where 800 people discussed the proposal. Department biologists also met with many affected interest groups and received many letters and phone calls. The proposal met with little public support. Any changes in season frameworks adversely affects one or more interest groups, whether they be farmers, bowhunters, snowmobilers, loggers, or non-hunting recreationists, to name a few. Unfortunately, these groups could not offer another effective alternative. The Natural Resources Board recognized that no deer season option would be satisfactory to all those affected, but that something drastic must be done to bring deer herds back to levels at which they could be controlled with the regular season framework. The Natural Resources Board approved an antlerless deer season, which met with strong hunter opposition. A legislative committee was formed to work with DNR to reach consensus on an alternative deer season that

would allow the harvest of bucks, while at the same time increasing the antlerless deer harvest. A deer management survey was distributed at sportshows, the annual Spring Fish and Wildlife Hearings, and five legislative listening sessions, resulting in over 6,000 responses for alternatives to an antlerless-only season. The most popular alternatives to an antlerless-only deer season included shooting a doe before shooting a buck, and reduced cost for antlerless permits. The legislative task force recommendation, adopted by the Natural Resources Board, was: 1) earn a buck, 2) 1 free antlerless tag with license purchase, 3) "2 for 1" bonus sales, and 4) an October 24-27 antlerless firearms hunt.

The 1996 "Zone T" Deer Hunting Season: How to "Earn a Buck"

In Zone T only, archery and gun deer licenses are valid only for the harvest of antlerless deer until the hunter has earned the privilege of shooting an antlered buck. To "Earn a Buck" in Zone T, hunters must first tag an antlerless deer within a Zone T DMU. Antlerless deer can be tagged using a Bonus Permit or "Special" Antlerless Deer Permit. Bucks must be tagged with your regular backtag carcass tag only. CAUTION: Just as it always has been, if you use your regular archery or gun deer carcass tag on an antlerless deer, you will lose your eligibility to harvest a buck later. Once you have tagged an antlerless deer, what you do next will depend upon whether you plan to continue to hunt, or end your hunt for the day. If you are done for the day, we suggest you register your antlerless

deer at a registration station within the unit it was killed. The registration station attendant will validate your regular archery or gun deer carcass tag with a Zone T sticker, making it valid for the harvest of one deer of either sex in any Zone T DMU at a later date. You may continue to hunt in DMUs outside Zone T, but will be limited to the legal harvest limits of that unit (see 1996 Wisconsin Hunting Regulations).

If you continue to hunt on the day your antlerless deer was tagged, you may shoot a buck without leaving the field to register your antlerless deer. However, if you shoot a buck, you must be able to present your antlerless deer to a conservation warden upon request. Please remember, without a Zone T sticker, a hunter cannot transport a buck unless also possessing an antlerless deer that earned them the buck. Antlerless deer must be registered within the DMU it was killed, while antlered bucks may be registered in any Zone T unit.

Buck harvest eligibility in Zone T must be earned for each deer season. Therefore, to harvest a buck during the archery season, you must first harvest and tag an antlerless deer with archery equipment. All firearm hunters must also harvest an antlerless deer before harvesting a buck.

Registered antlerless deer will be permanently marked so that they cannot be re-registered to earn a second buck.

Free Antlerless Permit: A free "Special" Antlerless Deer Permit valid only in your Zone T unit of choice will be issued to any archery and/or gun deer hunter who expresses an interest in hunting one of the above listed deer management units. To receive a free permit, hunters are required to complete a free application (available in



mid-June). To receive a permit prior to desired hunting days, hunters are encouraged to apply by July 20. "Special" Permits may also be obtained at selected DNR Offices beginning in mid-July.

Two "Special" permits (one for archery and one for gun) may be ordered on the same application, and may be valid for 2 different Zone T DMUs.

2 for 1 Bonus Permit

Sales: In addition to a free "Special" permit for each license purchased, a limited number of Bonus Antlerless Deer Permits will be available in these units by applying through the Hunter's Choice/Bonus Antlerless Deer Hunting Permit Application process (\$3 application fee required). Hunters purchasing a Bonus Permit in a Zone T DMU will automatically receive a second free "Special" permit. Both permits may be used only in the unit for which they are issued, and only for

the harvest of antlerless deer. Bonus Permits in all other DMUs outside Zone T will be issued at the regular cost of \$12 each for residents, and \$20 each for non-residents.

Hunters may apply for Bonus Permits in units both within and outside Zone T on a Hunter's Choice/Bonus Antlerless Deer Hunting Permit Application form.

October 24-27 Zone T Antlerless-Only Firearm Season: Firearm hunters will have an early opportunity to shoot antlerless deer and "Earn a Buck" for the gun or muzzleloader seasons by participating in a 4-day antlerless-only deer season from October 24-27. This hunt will take place only in Zone T. Archery season will remain open, but only antlerless deer may be taken in Zone T during this period. Either sex archery hunting will continue in all other DMUs. All hunters, with the exception of

waterfowl hunters, will be required to follow blaze orange requirements when hunting in Zone T during this period. Deer harvested with a gun in this season must be registered by 5 p.m. on October 28, 1996. Tagging of deer must be appropriate to weapon type used.

State Parks: Units 70C, 70D, and 80C are State Parks. Entry is by limited drawing of permits only, so those interested in hunting one of these parks must apply through the Hunter's Choice/Bonus Antlerless Deer Permit Application process by July 20 (\$3 application fee required). These units are not open to archery hunting. They will be open during the early October hunt, but special hours and area restrictions may apply. "Earn a Buck" applies to these units.

WISCONSIN'S FORESTS PROVIDE EMPLOYMENT, ENJOYMENT

By Pat Murphy

Wisconsin's forests are more than just trees; they translate into jobs, products we use daily and recreational outlets for thousands of our state's residents. Forest industries are the largest manufacturing employment sector in 28 Wisconsin counties, second in 9 counties and third in 5 counties. One in seven manufacturing jobs in our state is directly dependent on the timber resource, providing jobs for nearly 300,000 people.

Over 1400 forest product firms are dispersed throughout the state and contribute a payroll reaching 2 billion dollars. Aside from providing direct benefits through employment, forests offer

numerous indirect benefits to the state's economy as well. Watershed protection, wildlife habitat, outdoor recreation and beauty are attributes of Wisconsin rural and community forest alike. These factors make a vital contribution to the state's economy and the intrinsic values of its citizenry.

Wisconsin's 14.8 million acres of forest land ranks the state seventh in the nation in the amount of productive land holdings. Nearly 62% of our state's forest ownership is held by the private non-industrial sector while approximately one-third is publicly owned. Public forest lands include more than 1000 miles of hiking trails, and

6 million acres of public hunting lands, 2800 miles of snowmobile trails and 4200 campsites. Most of Wisconsin's forests are within a mile of a graded road thereby increasing their accessibility to the public.

Aspen, maple and birch account for 55% of Wisconsin's timber types with conifers representing 17%. Because of these timber types and their uses, Wisconsin ranks number one in the nation for the production of fine paper. Annually over 400 million board feet of sawlogs, 22 million board feet of veneer logs, 2.2 million cords of pulpwood, 3.2 million christmas trees and 1.9 million cords of fuelwood are harvested in Wisconsin.



DETERMINING YOUR "OBJECTIVES"

By Carol Nielsen

When you apply to enter your forest land in the Managed Forest Law or when you are working with a forester/land manager to develop a management plan, one of the first questions that comes up is, "What are your objectives for the property?". Most landowners respond with either "I don't know. I never thought about it." Or "What is an objective? Why do I need them?".

What Are Objectives?

An objective is defined in the dictionary as "Something worked toward or striven for." For you it may include...

■ a reason or reasons you have for owning the property.

■ what you use the property for.

■ interests or activities you would like to develop on the property.

You can start to identify your objectives by asking yourself questions like ...

■ Why did I buy the land?

■ What do I use the land for?

■ What do I like most about this property?

Maybe you bought it for recreation, i.e., hunting, hiking, cross-country skiing, or maybe it was bought as an investment with a goal of producing some income, or maybe you use it as a place to relax and watch wildlife, or maybe you are interested in managing the forest and

producing a variety of forest products. Objectives may be broad or specific, detailed or complex. And landowners usually have more than one objective for the property.

Wildlife (hunting or watching), forest management and aesthetic values are the three most common objectives of landowners under the Managed Forest Law.

Why Are Your Objectives Important?

The objectives you have set for your property will be used by the forester/land manager in preparing the management plan. What your objectives are will help determine the practices that are appropriate to obtain or steer the development of the forest toward one or more of your objectives. A plan that reflects your objectives will mean more to you, the landowner. You will be more likely to agree with and support the plan, and as a result carry out the practices recommended to maintain a healthy and productive forest.

While sound forest management is an objective set by law for land entered in the Managed Forest Law, Forest Crop Law and Woodland Tax Law, you can further define that objective by identifying the type of trees or forest products you are interested in managing for. Of course, the existing set of circumstances (soils, climate, species of trees and other vegetative cover) will influence whether or not your interests are feasible.

Objectives are not carved in stone. They can and very often do change with time. Your forester (DNR, consultant or industrial) can help you clarify what your objectives are.

Workshop on Estate Planning Offered

A workshop called "Estate Planning for Forest Landowners" is being coordinated by Wisconsin Society of American Foresters. The session is being offered on Monday afternoon, October 21, 1996, from 1 to 4:30 p.m. Location of the workshop is the Devil's Head Resort and Convention Center, S6330 Bluff Road, Merrimac, Wisconsin.

The workshop will provide landowners with an overview of the federal estate and gift tax applicable to timberland in your estate, and what you can do to reduce taxes on the intergenerational transfer of your forestland. Implications of recent tax law changes for accumulating and protecting forest assets will also be among the topics discussed.

Dr. Harry L. Haney, Jr. will be leading this workshop. He is widely recognized as a leading expert on forest taxation in the United States and is co-author of numerous forest tax publications. This is a rare opportunity to hear Dr. Haney in person here in Wisconsin. You're invited to register for this workshop by sending in the form on the back of the newsletter.



TOP 10 THINGS YOU NEED TO KNOW: 1996 DEER SEASON

1. **Application deadline** is **July 20** for hunters choice and bonus permits; antlerless deer tags can be used during the archery, firearm, or muzzleloader seasons with the appropriate license.

2. **Over-the-counter sales** of left over bonus permits **begin September 16** at select DNR offices (no phone sales); bonus permits will be sold until December 31 with a purchase limit of 1 tag per day for northern units and 2 tags per day for southern units; sales for each unit will cease when all permits for that unit are issued.

3. **Special regulations** apply in **Zone T** including units 51A, 51B, 54C, 63A, 66, 68A, 70A, 70E, 70G, 71, 73C, 75, 77B, 77C, 80A, 80B and state parks 70C, 70D, and 80C. No regulations change for all other units.

4. **Zone T archery season is antlerless deer only** during **October 24-27**.

5. A special **Zone T antlerless deer only firearm season** is **October 24-27** in addition to the regular 9-day gun season.

6. All hunters must **wear blaze orange** during the **October 24-27** season in **Zone T** including **Firearm deer, archery, turkey and small game** hunters (waterfowl hunters excluded).

7. **Zone T hunters can get a free antlerless deer tag**; hunters can now send for a free antlerless deer tag using a special free application or may get the free tag at select DNR offices beginning September 16 (one each for firearm and archery seasons); there is no deadline for these applications, but hunters should plan for a 3 week turn around for mailed applications; **EXCEPTION:** people wishing to hunt the 3 **Zone T** state parks must apply with the regular \$3 application by July 20.

8. **Zone T hunters** will receive **two bonus tags for \$12 (buy one-get one free)**; bonus tags must be applied for using the regular \$3 Hunters Choice application due July 20; left over bonus tags may be purchased over-the-counter at select DNR offices beginning September 16.

9. **Zone T hunters MUST shoot an antlerless deer first in zone t before they can shoot a buck in Zone T** (bow-killed antlerless deer earns buck opportunity for bow only and gun-killed antlerless deer earns buck opportunity for gun/muzzleloader only); **back tags can only be used on antlerless deer unless you kill and tag an antlerless deer first using a free antlerless tag or a bonus tag**; antlerless deer can be registered to get an either sex sticker put on your back tag making it valid for either a buck or antlerless deer, or both an antlerless deer (shot/tagged first) and a buck (use back tag) can be killed on the same day and brought into a registration station together; **bucks can only be tagged with your back tag, so if you want a chance at a buck, be sure to get and use a free antlerless deer tag or a bonus tag on the antlerless deer you shoot.**

10. All deer killed in **Zone T must be registered in Zone T**; all deer killed in other zones cannot be registered in **Zone T**.

TAX LAW NEWSLETTER CALENDAR OF EVENTS

🌲 October 29, 1996—Nature Program on Forest Interrelationships Retzer Nature Center, Waukesha; Contact: Will LaJoie at (414) 968-2433

🌲 January 18, 1997—Green Bay Area Woodland Owners Conference; Contact Curt Wilson, DNR at (414) 448-5134

🌲 January 25, 1997—Fox Valley Woodland Owners Conference; Contact Jim Hovland, UWEX at (414) 929-3173

🌲 February 1 or February 8, 1997 (tentative)—Milwaukee Area Woodland Owners Conference; Contact Laurie Weiss, UWEX at (414) 475-2452

🌲 February 15, 1997—Madison Area Woodland Owners Conference; Contact Jim Schroeder, UWEX at (608) 266-9053

🌲 March 1, 1997—Tri-State Woodland Owners Conference, Sinsinawa; Contact Mike Bolin, UIEX at (217) 333-2770

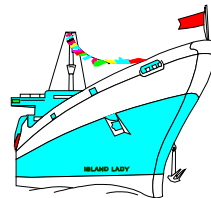
🌲 March 8, 1997—Eau Claire Area Woodland Owners Conference; Contact Kerry Ingraham at (715) 839-4712

🌲 February 22, 1997—Joint Southeast & Blackhawk Chapters WWOA Outdoor Winter Workshop; Contact Dave Hall at (608) 835-7621 or Will LaJoie at (414) 968-2433



TALL SHIP NEEDS HELP

By John A. Nelson, Forestry Public Awareness Specialist



The lake schooner is part of a bygone era on the Great Lakes. Once numbering over 3,000, this multi-masted ship hasn't been built for over 100 years. A Wisconsin-based educational organization is now building one, and they would like your help.

The Wisconsin Lake Schooner Education Association, the official sponsor of the schooner project, is building a 130-foot, three-masted clipper. Scheduled for completion in 1998, the ship is an official Wisconsin Sesquicentennial project for the state's 150th anniversary. The ship is about 20 percent completed. The honorary co-chairs of the association are Wisconsin Governor Tommy G. Thompson and Milwaukee Mayor John O. Norquist. Cooperating on the project is

the Wisconsin Department of Natural Resources.

This ship will not just be a sailing craft, but will be an educational tool on water for all ages. It literally will be a floating classroom. Dubbed Wisconsin's Flagship, it will be our official goodwill ambassador, built using Wisconsin products and citizens. The ship, and the adjacent Maritime Center, will be places where visitors can learn about the state's rich history and the unique Great Lakes ecosystem. Over 250 people have donated about 5,000 hours of their time and talents to build the ship.

You are invited to be a part of this historical event by donating time, talent or timber. The Wisconsin Lake Schooner Education Association is seeking white oak logs. Already, some logs

have been donated. The Menominee Nation donated six 230-foot-tall white pine trees for the masts. If the logs are unavailable through donations, the association is willing to bid and purchase them. The association is seeking white oak logs with a minimum of ten feet in length and 14 inches in diameter. Logs that are larger than these minimum requirements are preferred.

To receive additional information on the project, or to learn how to sell or donate logs, contact Captain David Falzetti, Wisconsin Lake Schooner Education Association, 500 North Harbor Drive, Milwaukee, WI 53202; telephone (414) 276-5664, fax (414) 276-8838.

All donations to the schooner project, including logs, are tax deductible.

TRESPASS

Many landowners and hunters have been asking questions about Wisconsin's new trespass law. The new trespass law, **Wisconsin Act 451**, should NOT be construed as an avenue for a landowner to deny access to FCL and open MFL lands. If a landowner wants to control access through a piece of property to open MFL or a FCL lands, he or she must post signs showing the alternative routes.

Landowners have already given express consent for access to their tax law lands

when the land was entered under the Forest Crop Law or "open" Managed Forest Law. Denying access will be construed as a violation of the

tax law contract. Be sure to talk with your DNR forester if you have any questions.

NOTICE!

Seek your DNR Forester's advice before buying, selling or transferring your tax law land to avoid unwanted withdrawals and penalties.

FOREST TAX LAW AND STEWARDSHIP NEWS

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